

SB3-Expand Promotions and Optional Choices for Telecommunications Services  
Senate Natural Resources and Energy Committee  
January 15, 2007

**Arguments against SB3 and Rebuttals**

There have been no substantive changes in SB 3 from last Session

True, as far as SB 3 as introduced. However, Qwest and MTA have negotiated substantial changes since ETIC last met this summer and have shared these changes with the PSC. We will focus on SB3 as amended.

The bill defines regulated telecommunications service as only the end user's access line.

The term "access line" has been eliminated from the bill. So have other terms used in SB 3 as introduced which caused problems for opponents, including MTA.

Companies will argue we're being harmed by competition.

I don't plan to argue that. Competition is good. It's better if all competitors are allowed to compete without some being disadvantaged by non-economic factors.

Wireless coverage...is a complement to, not a substitute for...wireline services

Conservative estimates are that 8-10% of all telephone users have dropped their wireline service for wireless service. There are more wireless phones in America than wireline. As measured by minutes-of-use we are approaching a one-to-one substitution of wireless minutes for wireline minutes.

Moreover, the wireless data apply only to one segment of a multifaceted, intermodal competitive marketplace. The FCC reports that Montana's more populous areas have 4-10 competitive providers operating in the market. Cable operators also are providing a complete substitute to voice service over their cable network. It defies common sense to say that there are not competitive options for telecommunications consumers today.

No basis for deregulating every service but access lines

First, we've dropped reference to access lines. Second, we're not proposing to deregulate "every service," but only a small minority of

optional services. Basic, essential telephone service remains regulated. We've even strengthened the definition to ensure that emergency services, low income assistance services, directory assistance and a host of other services identified specifically by the PSC remain regulated.

There's absolutely no knowledge of the potential impacts on consumers

Actually there is. Broadband communications services are deregulated at the federal level today. Voicemail service in Montana is deregulated today. Other states have deregulated their telecommunications markets either entirely or partially. In none of these real-life, marketplaces, rates have not skyrocketed. In fact, the CPI indicates that telephone services have increased far less than the CPI itself, and in many instances, particularly where competition is allowed to flourish, prices have actually gone down.

We can't deregulate until the market is "workably competitive" or "effectively competitive."

Besides the fact that these terms lack any definition whatsoever, the market already is competitive. Competitive local exchange carriers operate in every major Montana market, cable, satellite, wireless, and even soon to be developed telecommunications over power lines.

If the Legislature or the PSC want to ensure that prices in markets where competition is less vibrant than in other markets, we're willing to consider language that would ensure that prices can't exceed the prices offered in the most competitive markets.

The premise of "we can't deregulate" is that all services must remain regulated. We offer a means by which to ensure that most service remains regulated, while offering only the optional services on a par with the competition that already exists. This competition, by the way, is totally deregulated, not just deregulated on the top optional services.

There are mechanisms by which to deregulate services

Those mechanisms constitute a Catch 22. In order for services to be considered non regulated—despite the statutory definition of regulated telecommunications service, which already acknowledges the distinction between regulated and non-regulate service—one needs to go through a regulatory proceeding, the results of which are far from certain.

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